

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. NO.: 3666-01  
BILL NO.: HB 1680  
SUBJECT: Insurance - General; Insurance Department; Licenses - Professional  
TYPE: Original  
DATE: February 11, 2000

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Insurance Dedicated	\$208,196	\$138,138	\$137,268
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>\$208,196</b>	<b>\$138,138</b>	<b>\$137,268</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None			
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 4 pages.

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**FISCAL ANALYSIS**

**ASSUMPTION**

Officials from the **Department of Insurance (INS)** state that organizational credit agency license fee would be set at \$100.00 and annual renewal at \$50.00. INS stated that licensed credit agency would pay a fee of \$12.50 annually to the department for each employee submitted on the list of those employees that are authorized to act on its behalf. The insurer would be required to pay a \$10 appointment or cancellation fee for each applicant designated under 375.065 2.(2). INS currently licenses 9,476 agents who do credit insurance. INS stated they were unable to determine how many of the 9,200 agencies licensed as credit agencies. INS assumes that there would be minimal change in the number of agencies currently licensed. INS further assumes that a minimal number of agents licensed under the current method would choose to be licensed as a organizational credit agency or would be an employee under such an organization. INS assumes the proposal would most likely affect businesses and individuals that previously had not been licensed as either an agent or agency. INS states these businesses and individuals might be those in retail sales who sell goods and services on credit and could now sell credit insurance in conjunction with their other business. INS cannot estimate how many businesses or individuals would become licensed organizational credit agencies or how many employees acting on the agency's behalf would be submitted to the department. INS assumes there would be sufficient volume to require at least one additional licensing technician. This position would review and process original applications and annual renewal applications for organizational credit agencies, maintain information on employees authorized to conduct business on the agencies behalf, and process appointments by insurers. INS would also require contract computer programming to modify the existing licensing system to accommodate the new license. The fiscal impact reflects estimated cost for the department and unknown increased revenue from licensing and appointment fees.

**Oversight** assumes that twenty-five percent of the licensed agencies would apply to become an organizational credit agency and at least one member of the agency would be authorized to offer credit insurance.

**This proposal would result in a increase in Total State Revenues.**

FISCAL IMPACT - State Government

FY 2001  
(10 Mo.)

FY 2002

FY 2003

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
<b>INSURANCE DEDICATED FUND</b>			
<u>Income - Department of Insurance</u>			
Licensing fees	\$287,500	\$172,500	\$172,500
<u>Cost - Department of Insurance</u>			
Personal service (1 FTE)	(\$20,041)	(\$24,660)	(\$25,277)
Fringe benefits	(\$6,163)	(\$7,583)	(\$7,773)
Expense and equipment	<u>(\$53,100)</u>	<u>(\$2,119)</u>	<u>(\$2,182)</u>
Total <u>Cost</u> - Department of Insurance	<u>(\$79,304)</u>	<u>(\$34,362)</u>	<u>(\$35,232)</u>
<b>ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND</b>	<b><u>\$208,196</u></b>	<b><u>\$138,138</u></b>	<b><u>\$137,268</u></b>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2001 (10 Mo.)	 FY 2002	 FY 2003
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

Small businesses would expect to be fiscally impacted to the extent that they may incur additional licensing fees and administrative costs as a result of the requirements of this proposal.

DESCRIPTION

This proposal would create a licensing process for credit insurance companies. The proposal would also allow such licensees to employ persons at least 18 years old on a non-commission basis selling credit insurance. The Director of the Department of Insurance would prescribe an application form. The proposal also sets forth the information to be included in the application, the renewal process, and fees.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

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Department of Insurance

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is stylized with a large initial "J" and a cursive "e" at the end.

Jeanne Jarrett, CPA  
Director  
February 11, 2000